



Mtubatuba Municipality  
(Registration number KZN 275)

Annual Financial Statements  
for the year ended 30 June 2016

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Legal form of entity

Municipality

### Mayoral committee

Executive Committee

Cllr IF Nyawo - Mayor  
Cllr A Roy - Deputy Mayor  
Cllr MA Gina - Speaker

Councillors

Cllr MM Davies  
Cllr DR Ntuli  
Cllr VM Gumede  
Cllr LG Mkhwanazi  
Cllr SM Khumalo  
Cllr MZ Shobede  
Cllr MM Zikhali  
Cllr ZW Mathonsi  
Cllr CT Buthelezi  
Cllr SN Sibiyi  
Cllr NT Gumede  
Cllr VB Ndlanzi  
Cllr RBB Mkhwanazi  
Cllr P Mkhwanazi  
Cllr MP Ndlovu  
Cllr JM Ntombela  
Cllr PN Xulu  
Cllr SJ Khoza  
Cllr VVB Madonsela  
Cllr PR Jobe  
Cllr SR Khumalo  
Cllr DL Gumbi  
Cllr LM Mkhwanazi  
Cllr KI Kheswa  
Cllr NE Zuma  
Cllr EM Msweli  
Cllr SM Gumede  
Cllr RH Mfeka  
Cllr VT Myeni  
Cllr MQ Mkhwanazi  
Cllr RM Bukhosini  
Cllr SJ Shezi  
Cllr MB Zulu  
Cllr N Mdluli

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## General Information

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<b>Grading of local authority</b>	Grade 3
<b>Acting Accounting Officer</b>	Ms NQ Mzimela
<b>Acting Chief Finance Officer (CFO)</b>	Ms SZ Soji
<b>Registered office</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Business address</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Postal address</b>	PO Box 52 Mtubatuba 3935
<b>Bankers</b>	First National Bank Mtubatuba
<b>Auditors</b>	Auditor General South Africa Registered Auditors
<b>Lawyers</b>	Ngubane & Associates

# Mtubatuba Municipality

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Mtubatuba Municipality**

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Annual Financial Statements for the year ended 30 June 2016

## **Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 13.

The annual financial statements set out on pages 13 to 58, which have been prepared on the going concern basis, were approved by the on 31 August 2016 and were signed on its behalf by:

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**Accounting Officer**  
**Designation**

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	7	1 087 698	950 762
VAT receivable	8	9 333 114	709 403
Trade and other receivables from exchange transactions	9	23 309 265	19 706 805
Cash and cash equivalents	10	16 160 895	13 844 711
		<b>49 890 972</b>	<b>35 211 681</b>
<b>Non-Current Assets</b>			
Investment property	4	44 448 000	45 832 130
Property, plant and equipment	3	323 100 959	287 334 116
Intangible assets	5	179 186	321 839
Heritage assets	6	1 024 835	1 020 835
		<b>368 752 980</b>	<b>334 508 920</b>
<b>Total Assets</b>		<b>418 643 952</b>	<b>369 720 601</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long term loan - DBSA	13	-	697 313
Finance lease obligation	11	49 128	624 249
Payables from exchange transactions	15	20 202 907	14 802 784
Third party payable	16	1 500 185	1 610 565
Unspent conditional grants and receipts	12	2 807 721	3 268 940
Income received in advance - credit balances in debtors	9	835 591	654 311
		<b>25 395 532</b>	<b>21 658 162</b>
<b>Non-Current Liabilities</b>			
Long term loan - DBSA	13	-	901 514
Finance lease obligation	11	-	49 009
Employee benefit obligation	37	2 292 000	2 227 000
Provisions	14	23 204 631	5 063 259
		<b>25 496 631</b>	<b>8 240 782</b>
<b>Total Liabilities</b>		<b>50 892 163</b>	<b>29 898 944</b>
<b>Net Assets</b>		<b>367 751 789</b>	<b>339 821 657</b>
Accumulated surplus		367 751 789	339 821 657

\* See Note 30

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## Statement of Financial Performance

	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Refuse removal		3 436 043	3 275 127
Rendering of security services		1 650 474	1 581 846
Rental of facilities and equipment		214 128	239 247
Interest on consumer debtors		6 152 530	6 730 372
Licences and permits		2 347 949	2 504 233
Administration and management fees received		621 135	532 377
Fees earned		289 834	425 498
Interest received - investment	39	1 677 647	761 127
<b>Total revenue from exchange transactions</b>		<b>16 389 740</b>	<b>16 049 827</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates		28 739 395	21 377 512
<b>Transfer revenue and fines</b>			
Government grants & subsidies	17	157 172 219	121 057 167
Fines	38	1 644 835	1 281 579
<b>Total revenue from non-exchange transactions</b>		<b>187 556 449</b>	<b>143 716 258</b>
<b>Total revenue</b>		<b>203 946 189</b>	<b>159 766 085</b>
<b>Expenditure</b>			
Employee related costs	19	(40 495 229)	(41 571 149)
Remuneration of councillors	20	(11 801 471)	(7 208 730)
Depreciation, amortisation and impairment	22	(21 259 697)	(16 287 459)
Finance costs	23	(6 655 050)	(1 150 811)
Debts written off and credit impairment	21	(17 535 975)	(8 077 408)
Repairs and maintenance	42	(18 834 141)	(6 526 351)
Contracted services	25	(16 757 062)	(10 339 328)
General Expenses	18	(35 756 687)	(38 547 359)
<b>Total expenditure</b>		<b>(169 095 312)</b>	<b>(129 708 595)</b>
<b>Operating surplus</b>		<b>34 850 877</b>	<b>30 057 490</b>
Fair value adjustments		(1 384 130)	8 509 826
Assets written-off		(5 536 615)	(1 202 880)
Donations		-	2 088 800
		<b>(6 920 745)</b>	<b>9 395 746</b>
<b>Surplus for the year</b>		<b>27 930 132</b>	<b>39 453 236</b>

\* See Note 30

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## Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
<b>Balance at 01 July 2014</b>	<b>300 368 421</b>	<b>300 368 421</b>
Changes in net assets		
Surplus for the year	39 453 236	39 453 236
Total changes	39 453 236	39 453 236
Balance at 30 June 2015	359 987 671	359 987 671
Adjustments		
Prior year adjustments	(20 166 015)	(20 166 015)
<b>Restated* Balance at 01 July 2015</b>	<b>339 821 656</b>	<b>339 821 656</b>
Changes in net assets		
Surplus for the year	27 930 133	27 930 133
Total changes	27 930 133	27 930 133
<b>Balance at 30 June 2016</b>	<b>367 751 789</b>	<b>367 751 789</b>
Note(30) Prior period errors		

\* See Note 30



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## Cash Flow Statement

	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		22 020 457	21 814 845
Grants		157 172 219	121 057 167
Interest income		1 677 647	761 127
Fines		151 920	392 760
		<u>181 022 243</u>	<u>144 025 899</u>
<b>Payments</b>			
Employee costs		(52 226 700)	(48 749 647)
Suppliers		(68 826 523)	(47 867 398)
Finance costs		(6 655 050)	(1 150 811)
		<u>(127 708 273)</u>	<u>(97 767 856)</u>
<b>Net cash flows from operating activities</b>	26	<b><u>53 313 970</u></b>	<b><u>46 258 043</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(48 956 109)	(31 915 488)
Purchase of other intangible assets	5	-	(38 486)
<b>Net cash flows from investing activities</b>		<b><u>(48 956 109)</u></b>	<b><u>(31 953 974)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of long term loan - dbsa		(1 598 827)	(312 864)
Movement in income received in advance		181 280	(168 149)
Finance lease payments		(624 130)	(873 281)
<b>Net cash flows from financing activities</b>		<b><u>(2 041 677)</u></b>	<b><u>(1 354 294)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2 316 184</b>	<b>12 949 775</b>
Cash and cash equivalents at the beginning of the year		13 844 711	894 936
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>16 160 895</u></b>	<b><u>13 844 711</u></b>

\* See Note 30

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	5 778 000	(2 300 000)	<b>3 478 000</b>	3 436 043	<b>(41 957)</b>	
Rendering of services	1 694 000	588 000	<b>2 282 000</b>	1 650 474	<b>(631 526)</b>	1
Rental of facilities and equipment	262 000	(76 000)	<b>186 000</b>	214 128	<b>28 128</b>	3
Interest on consumer debtors	3 262 000	3 693 000	<b>6 955 000</b>	6 152 530	<b>(802 470)</b>	4
Licences and permits	2 468 000	740 000	<b>3 208 000</b>	2 347 949	<b>(860 051)</b>	5
Administration and management fees received	-	-	-	621 135	<b>621 135</b>	
Fees earned	373 000	88 000	<b>461 000</b>	289 834	<b>(171 166)</b>	7
Interest received - investment	2 128 000	1 196 000	<b>3 324 000</b>	1 677 647	<b>(1 646 353)</b>	9
<b>Total revenue from exchange transactions</b>	<b>15 965 000</b>	<b>3 929 000</b>	<b>19 894 000</b>	<b>16 389 740</b>	<b>(3 504 260)</b>	
<b>Revenue from non-exchange transactions</b>						
Property rates	25 482 000	618 000	<b>26 100 000</b>	28 739 395	<b>2 639 395</b>	2
Government grants & subsidies	155 711 000	1 000 000	<b>156 711 000</b>	157 172 219	<b>461 219</b>	8
Fines	202 000	1 102 000	<b>1 304 000</b>	1 644 835	<b>340 835</b>	6
<b>Total revenue from non-exchange transactions</b>	<b>181 395 000</b>	<b>2 720 000</b>	<b>184 115 000</b>	<b>187 556 449</b>	<b>3 441 449</b>	
<b>Total revenue</b>	<b>197 360 000</b>	<b>6 649 000</b>	<b>204 009 000</b>	<b>203 946 189</b>	<b>(62 811)</b>	
<b>Expenditure</b>						
Employee related costs	(46 146 000)	392 000	<b>(45 754 000)</b>	(40 495 229)	<b>5 258 771</b>	10
Remuneration of councillors	(11 022 000)	(197 000)	<b>(11 219 000)</b>	(11 801 471)	<b>(582 471)</b>	
Depreciation and amortisation	(16 520 000)	-	<b>(16 520 000)</b>	(21 259 697)	<b>(4 739 697)</b>	
Finance costs	(442 000)	-	<b>(442 000)</b>	(6 655 050)	<b>(6 213 050)</b>	11
Debt written off and credit impairment	(8 617 000)	100 000	<b>(8 517 000)</b>	(17 535 975)	<b>(9 018 975)</b>	12
Repairs and maintenance	(12 619 000)	(7 764 000)	<b>(20 383 000)</b>	(18 834 141)	<b>1 548 859</b>	13
Contracted Services	(13 904 000)	(2 709 000)	<b>(16 613 000)</b>	(16 757 062)	<b>(144 062)</b>	14
Transfers and grants	(147 000)	-	<b>(147 000)</b>	-	<b>147 000</b>	
General Expenses	(25 840 000)	(2 751 000)	<b>(28 591 000)</b>	(35 756 687)	<b>(7 165 687)</b>	15
<b>Total expenditure</b>	<b>(135 257 000)</b>	<b>(12 929 000)</b>	<b>(148 186 000)</b>	<b>(169 095 312)</b>	<b>(20 909 312)</b>	
<b>Operating surplus</b>	<b>62 103 000</b>	<b>(6 280 000)</b>	<b>55 823 000</b>	<b>34 850 877</b>	<b>(20 972 123)</b>	
Fair value adjustments	-	-	-	(1 384 130)	<b>(1 384 130)</b>	
Assets written off	-	-	-	(5 536 615)	<b>(5 536 615)</b>	
	-	-	-	<b>(6 920 745)</b>	<b>(6 920 745)</b>	
<b>Surplus before taxation</b>	<b>62 103 000</b>	<b>(6 280 000)</b>	<b>55 823 000</b>	<b>27 930 132</b>	<b>(27 892 868)</b>	

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>62 103 000</b>	<b>(6 280 000)</b>	<b>55 823 000</b>	<b>27 930 132</b>	<b>(27 892 868)</b>	

(1) The municipality has over budgeted in this line item.

(2) This is due to the implementation of a new valuation roll for the year 2015/2016.

(3) The municipality has generated more income than budgeted, which means there was an increase in the hiring of municipal facilities of R53 247. Which is 28.6%. The municipality has repaired and upgraded it facilities to an extent that they are attractive to customers thus increase in revenue.

(4) This is because of long outstanding debtors arising from past financial years, no updated indigent register, no revenue manager in the past four years and no write-off of long outstanding debtors being approved by the council.

(5) The municipality has made less income than budgeted. The variance to date is R703 767 in value and 21.9%.

(6) The municipality has charged more fines when compared to budget. Fines is a combination of traffic and library fines. Traffic fines is the one which generated more revenue.

(7) The municipality has generated less income from fees earned. The variance is R171 166 and 37.1% when compared with budgeted earnings. This is because of non recurring transactions, like sale of documents, building plan fees, search fees, burial fees and rate clearance certificates.

(8) This is because of ungazetted grant receipt of skills development grant with a total sum of R352 289.

(9) The municipality has generated less income from external investments. The variance is R2 562 873 and 77.1% when compared with the budgeted interest received. This is because the municipality has invested less funds when compared to the adjustment budget.

(10) Employee related costs has a favourable variance of 9.1% and a rand value of R4 182 851. This is due to cost saving measures that have been applied in housing, salaries, telephone allowance, bargaining council levies, group scheme, medical aid, pension fund and UIF because of high vacancy rate.

(11) Finance charges reflect a variance of 160.4% and a rand value of R248 229. The most contributing factors on this item is finance leases, operating leases. Interest is accounted for at year-end. The municipality has settled the DBSA loan in this month and interest portion.

(12) The municipality has not updated the indigent register and no council resolution approving the write-off.

(13) This is because of late appointments of manager operations that was going to ensure that facilities were repaired as budgeted.

(14) This is because of late appointment of Nordale dumpsite service provider last year which resulted in cost savings.

(15) This is as a result of high expenditure on operational grants of EPWP, FMG, MSIG and Cyber Cade. This is also caused by excess expenditure on audit fees, consultancy fees, disaster management and subsistence travelling.

# Mtubatuba Municipality

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## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The figures in these annual financial statements have been rounded to the nearest rand (i.e. no cents).

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables, held at amortised cost for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

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## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 37.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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## Accounting Policies

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### 1.4 Investment property (continued)

#### Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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### 1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30
Plant and machinery	
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 - 5
Furniture and fixtures	7 - 10
Motor vehicles	5 - 10
Office equipment	7 - 10
Infrastructure	
• Roads and paving	15
• Pedestrian malls	30
• Electricity	20
• Water	15
• Housing	30
• Landfill sites	15
• Sewerage	15 - 20
Community	
• Recreational facilities	20 - 30
• Security measures	5
Other property, plant and equipment	5 - 10
Bins and containers	5
Specialised vehicles	5 - 20

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Gains or losses arising from the retirement or disposal of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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### 1.6 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.



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### 1.8 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

#### Initial recognition

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments..

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement of financial assets and financial liabilities

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment was reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalent

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### 1.8 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to known amount of cash and are subject to insignificant risk of changes in value. These are initially recorded at fair value and subsequently recorded at amortised cost..

#### Long term loans

Long term loans consists of borrowings from financial institutions. These are initially and subsequently recorded at amortised cost.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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## Accounting Policies

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### 1.10 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying value amount with its irrecoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period.

### Value in use

Value in use of cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

# **Mtubatuba Municipality**

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## **Accounting Policies**

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### **1.11 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Mtubatuba Municipality

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### 1.12 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff.

Service charges relating to security services are recognised on a monthly basis in arrears by applying the approved tariff.

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### 1.13 Revenue from exchange transactions (continued)

#### Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue on both spot fines and summons issued is accounted for as a change in the estimated revenue.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.



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### 1.14 Revenue from non-exchange transactions (continued)

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

### 1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.17 Unauthorised expenditure

Unauthorised expenditure in relation to a Municipality, means any expenditure incurred by a municipality otherwise than in accordance with Section 15 or 11(3), and includes-

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

### 1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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### 1.21 Budget information (continued)

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.24 Events after the reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP32: Service Concession Arrangements: Grantor</li><li>GRAP108: Statutory Receivables</li></ul>	<ul style="list-style-type: none"><li>01 April 2016</li><li>01 April 2016</li></ul>	<ul style="list-style-type: none"><li>Not applicable</li><li>The impact of these standards is not material.</li></ul>
<ul style="list-style-type: none"><li>IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li><li>DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP</li></ul>	<ul style="list-style-type: none"><li>01 April 2016</li><li>01 April 2015</li></ul>	<ul style="list-style-type: none"><li>Not applicable.</li><li>The impact of these standards is not material.</li></ul>

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 3. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 991 190	-	30 991 190	30 991 190	-	30 991 190
Buildings	40 376 198	(6 674 957)	33 701 241	40 275 698	(5 331 875)	34 943 823
Plant and machinery	1 039 411	(370 163)	669 248	800 000	(143 615)	656 385
Furniture and fixtures	2 473 383	(1 493 003)	980 380	1 912 283	(1 284 882)	627 401
Motor vehicles	6 996 301	(2 005 423)	4 990 878	2 769 920	(1 406 880)	1 363 040
Office equipment	3 321 107	(994 479)	2 326 628	1 805 027	(708 612)	1 096 415
Infrastructure	224 799 208	(55 540 800)	169 258 408	172 196 405	(41 468 349)	130 728 056
Community	61 076 243	(10 546 441)	50 529 802	58 458 073	(6 786 703)	51 671 370
Bins and containers	1 576 161	(246 536)	1 329 625	499 900	(163 033)	336 867
Other property, plant and equipment	530 515	(139 369)	391 146	120 774	(119 874)	900
Leased motor vehicles	3 392 281	(1 808 644)	1 583 637	3 392 281	(1 473 221)	1 919 060
Specialised vehicles	1 150 000	(76 667)	1 073 333	1 150 000	(19 167)	1 130 833
Water tanks	183 247	(35 880)	147 367	142 019	(12 857)	129 162
Work-in-progress	25 128 076	-	25 128 076	31 739 614	-	31 739 614
<b>Total</b>	<b>403 033 321</b>	<b>(79 932 362)</b>	<b>323 100 959</b>	<b>346 253 184</b>	<b>(58 919 068)</b>	<b>287 334 116</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets written- off	Transfers	Revaluations	Newly identified assets	Depreciation	Total
Land	30 991 190	-	-	-	-	-	-	30 991 190
Buildings	34 943 823	100 500	-	-	-	-	(1 343 082)	33 701 241
Plant and machinery	656 385	239 411	-	-	-	-	(226 548)	669 248
Furniture and fixtures	627 401	305 108	(12 303)	-	-	303 319	(243 144)	980 381
Motor vehicles	1 363 040	4 226 381	-	-	-	-	(598 542)	4 990 879
Office equipment	1 096 415	1 338 635	(49 303)	-	-	295 476	(354 595)	2 326 628
Infrastructure	130 728 056	-	-	39 651 044	12 951 759	-	(14 072 450)	169 258 409
Community	51 671 370	-	-	2 618 170	-	-	(3 759 739)	50 529 801
Bins and containers	336 868	1 076 261	-	-	-	-	(83 504)	1 329 625
Other property, plant and equipment	900	409 741	-	-	-	-	(19 495)	391 146
Leased motor vehicles	1 919 060	-	-	-	-	-	(335 423)	1 583 637
Specialised vehicles	1 130 833	-	-	-	-	-	(57 500)	1 073 333
Water tanks	129 162	41 228	-	-	-	-	(23 024)	147 366
Work-In-Progress	31 739 614	41 218 844	(5 561 168)	(42 269 214)	-	-	-	25 128 076
	<b>287 334 117</b>	<b>48 956 109</b>	<b>(5 622 774)</b>	<b>-</b>	<b>12 951 759</b>	<b>598 795</b>	<b>(21 117 046)</b>	<b>323 100 960</b>

## Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Assets written- off	Donations	Depreciation	Impairment loss	Total
Land	30 991 190	-	-	-	-	-	-	-	30 991 190
Buildings	36 061 457	-	-	-	-	220 000	(1 337 634)	-	34 943 823
Plant and machinery	229 866	-	(15 979)	-	-	535 200	(90 948)	(1 754)	656 385
Furniture and fixtures	916 959	2 839	(12 638)	-	-	3 000	(278 205)	(4 554)	627 401
Motor vehicles	620 786	836 166	-	-	-	180 000	(273 912)	-	1 363 040
Office equipment	691 428	654 549	(8 368)	-	-	600	(238 309)	(3 485)	1 096 415
Infrastructure	134 460 233	-	-	6 443 208	-	-	(10 009 388)	(165 997)	130 728 056
Community	43 974 682	-	-	11 024 247	-	-	(1 863 388)	(1 464 171)	51 671 370
Bins and containers	234 876	149 500	-	-	-	-	(47 508)	-	336 868
Security measures	1 140	-	-	-	-	-	(240)	-	900
Leased Motor Vehicles	2 254 483	-	-	-	-	-	(335 423)	-	1 919 060
Specialised vehicles	-	-	-	-	-	1 150 000	(19 167)	-	1 130 833
Water tanks	2 365	139 221	-	-	-	-	(12 424)	-	129 162
Work-In-Progress	37 848 455	30 133 213	-	(35 076 161)	(1 165 893)	-	-	-	31 739 614
	<b>288 287 920</b>	<b>31 915 488</b>	<b>(36 985)</b>	<b>(17 608 706)</b>	<b>(1 165 893)</b>	<b>2 088 800</b>	<b>(14 506 546)</b>	<b>(1 639 961)</b>	<b>287 334 117</b>

##### Pledged as security

Finance lease asset is held as a security for finance lease liability.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 4. Investment property

	2016			2015		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	44 448 000	-	44 448 000	45 832 130	-	45 832 130

#### Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	45 832 130	(1 384 130)	44 448 000

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	37 322 304	8 509 826	45 832 130

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	1 007 455	(828 269)	179 186	1 007 455	(685 616)	321 839

#### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Intangible assets	321 839	(142 653)	179 186

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Intangible assets	424 302	38 486	(140 949)	321 839

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	1 024 835	-	1 024 835	1 020 835	-	1 020 835

#### Reconciliation of heritage assets 2016

	Opening balance	Newly identified assets	Total
Statue	1 020 835	4 000	1 024 835

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Statue	1 020 835	1 020 835

### 7. Receivables from non-exchange transactions

Fines	689 682	709 138
Third party liability - debit balances	156 392	-
Other receivables from non-exchange revenue	241 624	241 624
	<b>1 087 698</b>	<b>950 762</b>

#### Included in receivables from non-exchange transactions is:

Fines	5 598 649	4 109 420
Other	241 624	241 624
Less: Credit Impairment	(4 908 968)	(3 443 680)
	<b>931 306</b>	<b>950 762</b>

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(3 421 981)	(2 813 482)
Provision for impairment - traffic fines	(1 486 987)	(586 800)
Provision for impairment - other debtors	-	(21 699)
	<b>(4 908 968)</b>	<b>(3 421 981)</b>

### 8. VAT receivable

VAT	9 333 114	709 403
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Mtubatuba Municipality accounts for VAT on cash basis.



# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>9. Trade and other receivables</b>		
<b>Gross balances</b>		
Rates	58 595 098	48 273 376
Refuse	13 744 451	11 486 934
Security	5 197 827	3 945 351
	<b>77 537 376</b>	<b>63 705 661</b>
<b>Less: Allowance for impairment</b>		
Rates	(41 426 695)	(32 781 684)
Refuse	(9 717 318)	(8 062 638)
Security	(3 084 098)	(3 154 534)
	<b>(54 228 111)</b>	<b>(43 998 856)</b>
<b>Net balance</b>		
Rates	17 168 403	15 491 692
Refuse	4 027 133	3 424 296
Security	2 113 729	790 817
	<b>23 309 265</b>	<b>19 706 805</b>
<b>Agriculture, business and mining</b>		
Current (0 -30 days)	-	1 544 482
31 - 60 days	-	459 980
61 - 90 days	330 495	403 039
91 - 120 days	755 662	384 130
121 - 365 days	15 043 278	8 946 042
	<b>16 129 435</b>	<b>11 737 673</b>
<b>Residential</b>		
Current (0 -30 days)	-	2 591 075
31 - 60 days	-	1 001 544
61 - 90 days	960 601	953 875
91 - 120 days	1 114 852	947 839
121 - 365 days	49 220 078	37 902 804
	<b>51 295 531</b>	<b>43 397 137</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>9. Trade and other receivables (continued)</b>		
<b>Other debtors</b>		
Current (0 -30 days)	29 148	490 387
31 - 60 days	29 117	225 613
61 - 90 days	179 413	200 908
91 - 120 days	261 740	213 806
121 - 365 days	8 777 403	7 440 448
	<b>9 276 821</b>	<b>8 571 162</b>
<b>Total</b>		
Current (0 -30 days)	27 073	4 625 944
31 - 60 days	-	1 687 137
61 - 90 days	1 501 701	1 557 822
91 - 120 days	2 132 254	1 545 775
121 - 365 days	73 040 759	53 634 983
Add back: Credit balances in debtors	837 675	654 311
Less: Credit impairments	(54 228 111)	(43 998 856)
	<b>23 311 351</b>	<b>19 707 116</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(43 998 856)	(37 267 822)
Contributions to allowance	(10 229 255)	(6 731 034)
	<b>(54 228 111)</b>	<b>(43 998 856)</b>
<b>Consumer debtors past due but not impaired</b>		
Other Consumer debtors which are 3 months past due are not considered to be impaired. At 30 June 2016, R 2 721 874 (2015: R 3 746 451) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	47 567	1 430 872
2 months past due	1 336 743	1 244 240
3 months past due	1 432 698	1 071 339
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	15 000	4 760
Bank balances	1 356 957	13 197 345
Short-term deposits	14 471 394	359 941
Other cash and cash equivalents	317 543	282 666
	<b>16 160 894</b>	<b>13 844 712</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank - Primary - 53093735184	1 316 363	13 182 186	423 561	1 317 355	13 182 186	377 085
First National Bank - Eskom - 71044025057	191 600	191 600	191 600	191 600	191 600	191 600
First National Bank - Money Market - 62424097831	1 277 446	52 260	50 397	1 277 446	52 260	50 397
First National Bank - Call Account - 62424098376	12 970 386	85 126	82 090	12 970 386	85 126	82 090
First National Bank - Money Market 3 - 62424094986	31 962	30 643	30 019	31 962	30 643	30 019
First National Bank - Traffic Fines -62451696995	289 633	274 045	136 097	289 579	274 045	136 097
First National Bank - Petty cash - 62393938249	39 602	-	-	39 602	15 159	18 564
Cash on hand	-	-	-	15 000	4 760	1 427
Cashiers collection	-	-	-	27 964	8 621	7 656
<b>Total</b>	<b>16 116 992</b>	<b>13 815 860</b>	<b>913 764</b>	<b>16 160 894</b>	<b>13 844 400</b>	<b>894 935</b>

### 11. Finance lease obligation

#### Minimum lease payments due

- within one year	49 128	49 009
- in second to fifth year inclusive	-	624 249

#### Present value of minimum lease payments

<b>49 128</b>	<b>673 258</b>
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#### Non-current liabilities

-	49 009
Current liabilities	624 249
<b>49 128</b>	<b>673 258</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9-% (2015: 9%).

Interest rates are linked to prime at the contract date. Lease motor vehicle serves as a security of the vehicle finance loan.

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Low Cost Housing Grant	1 232 377	1 232 377
Infrastructure Sport Facilities	617 232	1 952 828
MTB library computer assistance	44 352	66 068
Sport & recreation grant	-	17 667
Energy, Efficiency and Demand Grant	913 760	-
	<hr/>	<hr/>
	2 807 721	3 268 940

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>12. Unspent conditional grants and receipts (continued)</b>		
<b>Movement during the year</b>		
Balance at the beginning of the year	3 268 940	9 780 098
Additions during the year	37 846 000	36 644 000
Income recognition during the year	(38 307 219)	(43 155 158)
	<b>2 807 721</b>	<b>3 268 940</b>
<b>13. Long-term loan</b>		
<b>At amortised cost</b>		
Development Bank of Southern African loan	-	1 598 827
The DBSA loan is repaid over a period of 10 years and has a redemption date of 30 September 2018 at a fixed interest rate of 8.16%. The DBSA loan is not secured.		
Management of the Municipality is of the opinion that the carrying value of long-term liabilities recorded at amortised cost in the financial statements approximate the fair value of the loan.		
<b>Non-current liabilities</b>		
At amortised cost	-	901 514
<b>Current liabilities</b>		
At amortised cost	-	697 313

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 14. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Total
Environmental rehabilitation	3 671 842	17 896 826	(554 655)	562 678	-	21 576 691
Long Service Award Benefits	1 391 417	103 126	(146 850)	117 169	163 078	1 627 940
	<b>5 063 259</b>	<b>17 999 952</b>	<b>(701 505)</b>	<b>679 847</b>	<b>163 078</b>	<b>23 204 631</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	3 322 934	348 908	3 671 842
Employee benefit cost	-	1 391 417	1 391 417
	<b>3 322 934</b>	<b>1 740 325</b>	<b>5 063 259</b>

#### Environmental rehabilitation provision

The municipality was issued with a waste management licence for the operation with intention of closure, decommissioning and rehabilitation of Mtubatuba waste disposal site on 25 January 2016. The licence is valid for a period of 5 years from date of issue. The municipality was also issued with a licence to close, decommission and rehabilitation of the St Lucia waste disposal site from 31 March 2016. The St Lucia waste disposal site is now closed. The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.25% over a period of 5 years (licence period).

#### Long Service Awards Provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long services rendered to the municipality. The estimates of the present obligation are determined through the use of the Actuarial expertise. Such estimates are reviewed annually at end of the financial year. The finance cost and actuarial gains or losses are recognised directly in the statement of financial performance.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus into cash.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

#### Key assumptions

Discount rate	8.86%
CPI	6.55%
Salary increase rate	7.55%
Net Discount Rate	1.22%
Mortality	SA85-90

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>15. Payables from exchange transactions</b>		
Trade payables	1 862 844	5 324 732
Accrued leave pay	4 483 482	4 337 348
Accrued bonus	1 015 466	909 955
Accrued expenses	9 167 221	1 211 559
Retentions	3 673 894	3 019 190
	<b>20 202 907</b>	<b>14 802 784</b>

The fair value of trade and other payables approximates their carrying amounts.

### 16. Third party payables

Medical aid contributions	9 934	314 490
PAYE, SDL & UIF	1 447 005	564 798
Pension fund contributions	16 367	612 260
Other contributions	26 879	119 017
	<b>1 500 185</b>	<b>1 610 565</b>

Third party payables in respect of all payroll related deductions.

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	116 487 000	81 379 000
Capacity building	-	121 263
Finance management grant / budget and treasury office	1 800 000	1 800 000
Library provincial support grant / libraries and archives	2 378 000	3 701 747
M T B library assistants - cadets/libraries and archives	361 717	251 120
EPWP/Road transport/Roads	1 000 000	1 064 455
Sport Caretakers/Community	17 667	149 037
Operational National Electrification	-	1 500 000
Infrastructure Sport Facilities Grant	1 335 595	147 172
MSIG Ward Committees	930 000	934 000
MIG Operational	1 427 683	484 337
Energy Efficiency and Demand Grant	86 240	-
	<b>125 823 902</b>	<b>91 532 131</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	29 348 317	29 039 663
National Electrification Programme	2 000 000	485 373
	<b>31 348 317</b>	<b>29 525 036</b>
	<b>157 172 219</b>	<b>121 057 167</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Low cost housing grant</b>		
Balance unspent at beginning of year	1 232 377	1 232 377
Conditions still to be met - remain liabilities (see note 12).		
<b>Infrastructure sport facilities</b>		
Balance unspent at beginning of year	1 952 828	525 000
Current-year receipts	1 245 596	1 575 000
Conditions met - transferred to revenue	(2 581 192)	(147 172)
	<b>617 232</b>	<b>1 952 828</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>MTB Library Computer Assistance</b>		
Balance unspent at beginning of year	66 068	65 188
Current-year receipts	340 000	252 000
Conditions met - transferred to revenue	(361 716)	(251 120)
	<b>44 352</b>	<b>66 068</b>
Conditions still to be met - remain liabilities (see note 12).		
<b>MSIG municipal support</b>		
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	<b>-</b>	<b>-</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 17. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).



# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>17. Government grants and subsidies (continued)</b>		
<b>Extended public works</b>		
Balance unspent at beginning of year	-	5 455
Current-year receipts	1 000 000	1 059 000
Conditions met - transferred to revenue	(1 000 000)	(1 064 455)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		
<b>Municipal infrastructure grant</b>		
Current-year receipts	30 776 000	29 524 000
Conditions met - transferred to revenue	(30 776 000)	(29 524 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		
<b>Sport &amp; recreation caretakers</b>		
Balance unspent at beginning of year	17 667	166 704
Current-year receipts	-	-
Conditions met - transferred to revenue	(17 667)	-
Other	-	(149 037)
	<u>-</u>	<u>17 667</u>
Conditions still to be met - remain liabilities (see note 12).		
<b>Finance management grant</b>		
Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		
<b>Energy Efficiency and Demand Grant</b>		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(86 240)	-
	<u>913 760</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 12).		

# Mtubatuba Municipality

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Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>18. General expenses</b>		
Advertising	1 077 204	286 991
Auditors remuneration	1 743 108	1 116 379
Bank charges	309 143	111 689
Consulting and professional fees	9 297 666	6 042 161
Consumables	280 144	363 835
Insurance	355 387	248 270
IT expenses	607 191	731 302
Motor vehicle expenses	290 057	221 233
Fuel and oil	1 115 602	813 384
Postage and courier	50 923	70 852
Printing and stationery	671 607	692 818
Subscriptions and membership fees	493 502	-
Telephone and fax	1 187 805	935 041
Training	553 081	159 729
Travel - local	2 257 935	588 395
Electricity	822 113	927 637
Uniforms	438 375	308 230
Special Programmes	3 004 132	1 907 509
Other Expenses	9 640 829	20 844 376
Consultants	12 000	-
Lease rentals on operating lease	1 548 884	2 177 528
	<b>35 756 688</b>	<b>38 547 359</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>19. Employee related costs</b>		
Basic	24 785 785	26 708 258
Medical aid - company contributions	2 121 160	2 181 286
UIF	302 265	249 958
SDL	423 667	388 909
Other payroll levies	17 860	12 559
Leave pay accrual	280 282	(83 346)
Group life insurance	902 385	1 998 802
Short term benefit	905 078	958 658
Defined contribution plans	3 384 638	3 291 703
Travel, motor car, accommodation, subsistence and other allowances	78 852	102 009
Overtime payments	1 988 996	700 563
Long-service awards	119 354	-
13th Cheques	1 388 457	1 693 709
Car allowance	2 982 891	2 647 050
Housing benefits and allowances	648 589	659 103
Telephone allowances	60 290	115 930
Standby allowance	74 715	-
Long-term benefits - incentive scheme	29 964	(54 000)
	<b>40 495 228</b>	<b>41 571 151</b>
<b>Remuneration - Municipal Manager</b>		
Annual Remuneration	963 064	544 820
Car Allowance	50 993	204 350
Cellphone allowance	6 000	24 000
Other	2 315	224 292
	<b>1 022 372</b>	<b>997 462</b>
<b>Remuneration - Chief Finance Officer</b>		
Annual Remuneration	155 315	456 107
Car Allowance	30 000	181 607
Cellphone allowance	-	20 000
Other	18 904	179 096
	<b>204 219</b>	<b>836 810</b>
<b>Remuneration - Director Corporate Services</b>		
Annual Remuneration	539 993	505 912
Car Allowance	180 000	180 000
Cellphone allowance	24 000	24 000
Other	86 143	155 039
	<b>830 136</b>	<b>864 951</b>
<b>Remuneration - Director Community Services</b>		
Annual Remuneration	52 488	617 374
Car Allowance	15 084	181 003
Cellphone allowance	2 000	24 000
Other	62 074	59 676
	<b>131 646</b>	<b>882 053</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>19. Employee related costs (continued)</b>		
<b>Remuneration - Director Technical Services</b>		
Annual Remuneration	656 100	617 374
Car Allowance	181 002	165 918
Cellphone allowance	24 000	24 000
Other	63 448	41 827
	<b>924 550</b>	<b>849 119</b>
<b>20. Remuneration of councillors</b>		
The Mayor	565 216	342 130
Deputy Mayor	454 933	191 233
Mayoral Committee Members	713 745	656 023
Speaker	452 982	283 968
Councillors	9 614 595	5 735 376
	<b>11 801 471</b>	<b>7 208 730</b>
<b>In-kind benefits</b>		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two and one full-time bodyguards respectively.		
The salaries, fringe benefits and allowances payable to councillors, as disclosed above, are within the limits as determined by the MEC for Cooperative Governance and Traditional Affairs.		
<b>21. Debt impairment and write offs</b>		
Debt impairment/(reversal of debt impairment)	11 750 073	7 317 834
Debts written off	5 785 902	759 574
	<b>17 535 975</b>	<b>8 077 408</b>
<b>22. Depreciation, amortisation and impairment</b>		
Property, plant and equipment	21 117 044	16 146 509
Intangible assets	142 653	140 950
	<b>21 259 697</b>	<b>16 287 459</b>
<b>23. Finance costs</b>		
Interest on borrowings	5 630 695	268 834
Interest other	1 024 356	881 977
	<b>6 655 051</b>	<b>1 150 811</b>
<b>24. Auditors' remuneration</b>		
Fees	1 743 108	1 116 379

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>25. Contracted services</b>		
Other Contractors	16 757 062	10 339 328
<b>26. Cash generated from operations</b>		
Surplus	27 930 133	39 453 236
<b>Adjustments for:</b>		
Depreciation and amortisation	21 259 697	16 287 459
Assets written-off	5 536 615	1 202 880
Donations	-	(2 088 800)
Fair value adjustments	1 384 130	(8 509 826)
Debt written off / Debt impairment	17 535 975	8 077 408
Movements in retirement benefit liabilities	65 000	140 000
Movements in provisions	18 141 372	348 907
Other non-cash items	-	17 608 705
Revaluations	(12 869 600)	-
Newly identified assets	(598 795)	-
<b>Changes in working capital:</b>		
Consumer debtors	(21 138 435)	(14 506 845)
Other receivables from non-exchange transactions	(136 935)	(319 240)
Payables from exchange transactions	5 400 123	(4 458 826)
VAT	(8 623 711)	(656 851)
Third party payables	(110 380)	190 994
Unspent conditional grants and receipts	(461 219)	(6 511 158)
	<b>53 313 970</b>	<b>46 258 043</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>27. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	54 968 491	5 189 680
• Electrification	3 422 656	-
	<b>58 391 147</b>	<b>5 189 680</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Infrastructure	-	52 511 508
• Electrification	-	9 102 425
	<b>-</b>	<b>61 613 933</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	58 391 147	5 336 853
Not yet contracted for and authorised by accounting officer	-	63 713 933
	<b>58 391 147</b>	<b>69 050 786</b>

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.

### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	557 190	1 447 546
- in second to fifth year inclusive	-	1 363 691
	<b>557 190</b>	<b>2 811 237</b>

Operating lease payments represent rentals payable by the municipality for its office equipment and machines. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

### 28. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities:  
**2016**

- (1) Thokozani Ndlanzi v The minister of Police and Mtubatuba Municipality - The municipality is the second defendant in this matter and if the Minister pays for this then the municipality will be absolved. The claim is for R400 000.
- (2) Simphiwe SR Myeni and Others (application) - The matter is pending finalisation in High Court. The claim is for R220 000.
- (3) Simphiwe SR Myeni and Others (civil matter) - The matter is defended. The claim is for R200 000.
- (4) Siyabonga R Ntuli (civil matter) - The matter is defended. The claim is for R300 000.

### 29. Related parties

There were no transactions with related parties that were not at arm's length or that were not in the ordinary course of business.

### 30. Prior period errors

#### 1. Property plant and equipment - Land

The municipality completed certain electrification projects, in the prior, and these project were then handed over to Eskom. The cost related to these projects was capitalised into Work in progress account balance and not cleared upon completion. The error resulted to overstatement of Work in progress and Expenses in the prior year.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 30. Prior period errors (continued)

#### 2. Long term service awards Provision

The municipality is legally obligated, in line with recommendations of the Bargaining Council, to remunerate its employees for long service with the municipality. In line with the reporting standard the municipality has to comply with GRAP 25 and recognise resulting liability. Previously the municipality did not account for this transaction in terms of GRAP 25 resulting to understatement of Provisions.

#### 3. Property plant and equipment - Work in Progress

Expenditure amounting to R1 165 893 relating to the Development of Mtubatuba Corridor Development Plan was incorrectly included in the Work in progress resulting to overstatement of Property Plant and Equipment account balance.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	-	(17 608 705)
Long term service award provision	-	(1 391 417)
Property, plant and equipment - Work in progress	-	(1 165 893)
Opening Accumulated Surplus	-	20 166 015

#### Account balance

	Previously reported June 2015	Adjustment	Restated
Property Plant & Equipment	306 108 714	(18 774 599)	287 334 115
Long Service Award	-	(1 391 417)	(1 391 417)
Accumulated Surplus	-	20 166 016	20 166 016
	<b>306 108 714</b>	<b>-</b>	<b>306 108 714</b>

### 31. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Current liabilities

Trade and other payables from exchange transactions	20 201 907	14 802 784
Short term portion DBSA loan	-	697 313
Finance lease	49 128	673 258
Unspent conditional grants	913 760	3 268 940
	<b>21 164 795</b>	<b>19 442 295</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 31. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed accross different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Trade and other receivables from exchange transactions	6 142 948	3 252 829
Trade and other receivables from non-exchange transactions	16 454 874	13 785 352
Cash and cash equivalent - Bank balances	16 116 992	13 815 860

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates. The DBSA loan has a fixed interest rate which is not linked to the prime rate.

### 32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 33. Events after the reporting date

The municipality council was successfully elected on the 3th August 2016 after National Local Government Elections.

### 34. Unauthorised expenditure

Opening Balance	43 647 821	31 293 829
Current year movement - actual expenditure exceeds budget	34 784 687	12 353 992
	<b>78 432 508</b>	<b>43 647 821</b>

The current year over-expenditure relates to non-cash items in respect of Depreciation, Credit impairment, Provision for 13th cheque bonus and the Provision for accumulated leave days.

### 35. Fruitless and wasteful expenditure

Opening balance	1 459 973	1 083 156
Interest on late payments - other	64 314	51 576
Penalties - SARS	671 097	325 241
	<b>2 195 384</b>	<b>1 459 973</b>



# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>36. Irregular expenditure</b>		
Opening balance	39 991 111	36 098 784
Add: Irregular Expenditure - current year	7 774 101	3 892 327
Less: SCM Deviations	1 182 614	1 128 113
Less: SCM deviation reported	(1 182 614)	(1 128 113)
	<b>47 765 212</b>	<b>39 991 111</b>
<b>37. Medical Aid Subsidy Liability</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>Carrying value</b>		
Present value of funded obligation	(2 227 000)	(2 087 000)
Interest cost	(188 000)	(194 000)
Acturial gain or (loss)	(6 000)	(66 000)
Medical aid contribution	129 000	120 000
	<b>(2 292 000)</b>	<b>(2 227 000)</b>
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	2 227 000	2 087 000
Interest cost	188 000	194 000
Benefits paid	(129 000)	(120 000)
Actuarial gain/(loss)	6 000	66 000
	<b>2 292 000</b>	<b>2 227 000</b>
<b>Other assumptions</b>		
Profile of active employees:		
		<b>Number of continuation pensioners</b>
Age<54		-
Age 60-64		1
Age 65-69		2
Age 70-74		1
Age>75		-
Average age		66
Average employer monthly contribution		2 703
<b>38. Fines</b>		
Traffic fines	1 641 150	1 276 186
Library fines	3 685	5 393
	<b>1 644 835</b>	<b>1 281 579</b>
<b>39. Interest revenue</b>		
<b>Interest revenue</b>		
Bank	1 677 647	761 127

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
<b>40. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	493 502	509 500
Amount paid - current year	(493 502)	(509 500)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Opening balance	532 108	-
Current year subscription / fee	6 355 993	6 312 048
Amount paid - current year	(5 474 086)	(5 779 940)
	<u><b>1 414 015</b></u>	<u><b>532 108</b></u>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	924 561	-
Current year subscription / fee	9 934 127	8 738 415
Amount paid - current year	(10 952 970)	(7 813 854)
	<u><b>(94 282)</b></u>	<u><b>924 561</b></u>
<b>VAT</b>		
VAT receivable	<u>9 333 114</u>	<u>709 403</u>

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	-	8 028	8 028
Mr NE Zuma	-	9 133	9 133
Mr RB Mkhwanazi	-	36 949	36 949
Mrs AR Roy	-	38 228	38 228
	<u>-</u>	<u><b>92 338</b></u>	<u><b>92 338</b></u>
<b>30 June 2015</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Mrs MM Davies	-	2 715	2 715
Mr NE Zuma	-	15 089	15 089
MR RB Mkhwanazi	-	36 071	36 071
Mrs AR Roy	-	42 691	42 691
	<u>-</u>	<u><b>96 566</b></u>	<u><b>96 566</b></u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

	2016	2015
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### 41. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations. The deviations for 2016 - R1 182 614 and 2015 - R1 128 113.

### 42. Repairs and Maintenance

#### The statement of financial performance Includes:

Repairs & Maintenance - Vehicles	611 164	508 107
Repairs & Maintenance - Building	6 535 540	1 671 366
Repairs & Maintenance - Plant Machinery and Other Equipment	400 153	1 030
Repairs & Maintenance - Infrastructure	11 287 284	4 345 848
	<b>18 834 141</b>	<b>6 526 351</b>

## Appendix A

June 2016

### Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Development Bank of South Africa</b>							
Non-current portion - DBSA	43373	901 513	-	901 513	-	-	-
Current portion - DBSA	43373	697 315	-	697 315	-	-	-
		<b>1 598 828</b>	<b>-</b>	<b>1 598 828</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Lease liability</b>							
Non-current portion - WESBANK	Various	49 009	-	49 009	-	-	-
Current portion - ABSA	Various	442 019	-	442 019	-	-	-
Current portion - WESBANK	Various	182 231	-	133 103	49 128	-	-
		<b>673 259</b>	<b>-</b>	<b>624 131</b>	<b>49 128</b>	<b>-</b>	<b>-</b>
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		1 598 828	-	1 598 828	-	-	-
Lease liability		673 259	-	624 131	49 128	-	-
		<b>2 272 087</b>	<b>-</b>	<b>2 222 959</b>	<b>49 128</b>	<b>-</b>	<b>-</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	30 991 190	-	-	-	-	-	30 991 190	-	-	-	-	-	-	30 991 190
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	40 275 698	-	-	-	-	-	40 275 698	(5 331 875)	-	-	(1 342 523)	-	(6 674 398)	33 601 300
	<b>71 266 888</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71 266 888</b>	<b>(5 331 875)</b>	<b>-</b>	<b>-</b>	<b>(1 342 523)</b>	<b>-</b>	<b>(6 674 398)</b>	<b>64 592 490</b>
<b>Infrastructure</b>														
Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus terminals and taxi	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater network	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	172 196 405	-	-	31 596 827	-	-	203 793 232	(41 468 349)	-	-	(11 861 411)	-	(53 329 760)	150 463 472
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>172 196 405</b>	<b>-</b>	<b>-</b>	<b>31 596 827</b>	<b>-</b>	<b>-</b>	<b>203 793 232</b>	<b>(41 468 349)</b>	<b>-</b>	<b>-</b>	<b>(11 861 411)</b>	<b>-</b>	<b>(53 329 760)</b>	<b>150 463 472</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	58 458 073	-	-	1 763 871	-	-	60 221 944	(6 786 703)	-	-	(2 278 014)	-	(9 064 717)	51 157 227
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>58 458 073</b>	<b>-</b>	<b>-</b>	<b>1 763 871</b>	<b>-</b>	<b>-</b>	<b>60 221 944</b>	<b>(6 786 703)</b>	<b>-</b>	<b>-</b>	<b>(2 278 014)</b>	<b>-</b>	<b>(9 064 717)</b>	<b>51 157 227</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - Statue	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>
<b>Work in progress</b>														
Work in progress	50 514 218	40 087 232	(5 561 167)	-	-	(33 360 698)	51 679 585	-	-	-	-	-	-	51 679 585
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>50 514 218</b>	<b>40 087 232</b>	<b>(5 561 167)</b>	<b>-</b>	<b>-</b>	<b>(33 360 698)</b>	<b>51 679 585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51 679 585</b>
<b>Other assets</b>														
General vehicles	1 753 754	1 016 656	-	-	-	-	2 770 410	(1 132 968)	-	-	(273 912)	-	(1 406 880)	1 363 530
Plant & equipment	800 000	239 411	-	-	-	-	1 039 411	(143 615)	-	-	(228 254)	-	(371 869)	667 542
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 912 283	305 108	-	-	-	-	2 217 391	(1 284 882)	-	-	(236 311)	-	(1 521 193)	696 198
Office Equipment	1 805 027	1 163 263	-	-	-	-	2 968 290	(708 612)	-	-	(346 759)	-	(1 055 371)	1 912 919
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	142 019	41 228	-	-	-	-	183 247	(12 857)	-	-	(23 023)	-	(35 880)	147 367
Other security measures	120 774	409 741	-	-	-	-	530 515	(119 874)	-	-	(19 495)	-	(139 369)	391 146
Bins and Containers	499 900	1 076 261	-	-	-	-	1 576 161	(163 033)	-	-	(83 503)	-	(246 536)	1 329 625
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	3 392 281	-	-	-	-	-	3 392 281	(1 473 221)	-	-	(335 423)	-	(1 808 644)	1 583 637
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised	1 150 000	-	-	-	-	-	1 150 000	(19 167)	-	-	(57 500)	-	(76 667)	1 073 333
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>11 576 038</b>	<b>4 251 668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 827 706</b>	<b>(5 058 229)</b>	<b>-</b>	<b>-</b>	<b>(1 604 180)</b>	<b>-</b>	<b>(6 662 409)</b>	<b>9 165 297</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	71 266 888	-	-	-	-	-	71 266 888	(5 331 875)	-	-	(1 342 523)	-	(6 674 398)	64 592 490
Infrastructure	172 196 405	-	-	31 596 827	-	-	203 793 232	(41 468 349)	-	-	(11 861 411)	-	(53 329 760)	150 463 472
Community Assets	58 458 073	-	-	1 763 871	-	-	60 221 944	(6 786 703)	-	-	(2 278 014)	-	(9 064 717)	51 157 227
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress	50 514 218	40 087 232	(5 561 167)	-	-	(33 360 698)	51 679 585	-	-	-	-	-	-	51 679 585
Other assets	11 576 038	4 251 668	-	-	-	-	15 827 706	(5 058 229)	-	-	(1 604 180)	-	(6 662 409)	9 165 297
	<b>365 032 457</b>	<b>44 338 900</b>	<b>(5 561 167)</b>	<b>33 360 698</b>	<b>-</b>	<b>(33 360 698)</b>	<b>403 810 190</b>	<b>(58 645 156)</b>	<b>-</b>	<b>-</b>	<b>(17 086 128)</b>	<b>-</b>	<b>(75 731 284)</b>	<b>328 078 906</b>
<b>Non-current assets held-for-sale</b>														
Non-current assets Held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>														
Computers - software & programming	1 007 455	-	-	-	-	-	1 007 455	(685 616)	-	-	(142 653)	-	(828 269)	179 186
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 007 455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 007 455</b>	<b>(685 616)</b>	<b>-</b>	<b>-</b>	<b>(142 653)</b>	<b>-</b>	<b>(828 269)</b>	<b>179 186</b>
<b>Investment properties</b>														
Investment property	45 832 130	-	-	-	-	-	45 832 130	-	-	-	-	-	-	45 832 130
	<b>45 832 130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 832 130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45 832 130</b>
<b>Total</b>														
Land and buildings	71 266 888	-	-	-	-	-	71 266 888	(5 331 875)	-	-	(1 342 523)	-	(6 674 398)	64 592 490
Infrastructure	172 196 405	-	-	31 596 827	-	-	203 793 232	(41 468 349)	-	-	(11 861 411)	-	(53 329 760)	150 463 472
Community Assets	58 458 073	-	-	1 763 871	-	-	60 221 944	(6 786 703)	-	-	(2 278 014)	-	(9 064 717)	51 157 227
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress	50 514 218	40 087 232	(5 561 167)	-	-	(33 360 698)	51 679 585	-	-	-	-	-	-	51 679 585
Other assets	11 576 038	4 251 668	-	-	-	-	15 827 706	(5 058 229)	-	-	(1 604 180)	-	(6 662 409)	9 165 297
Non-current assets held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1 007 455	-	-	-	-	-	1 007 455	(685 616)	-	-	(142 653)	-	(828 269)	179 186
Investment properties	45 832 130	-	-	-	-	-	45 832 130	-	-	-	-	-	-	45 832 130
	<b>411 872 042</b>	<b>44 338 900</b>	<b>(5 561 167)</b>	<b>33 360 698</b>	<b>-</b>	<b>(33 360 698)</b>	<b>450 649 775</b>	<b>(59 330 772)</b>	<b>-</b>	<b>-</b>	<b>(17 228 781)</b>	<b>-</b>	<b>(76 559 553)</b>	<b>374 090 222</b>

## Appendix B

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

[illegible]



## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2015

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - statue	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>
<b>Work in progress</b>														
Work in progress	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>37 848 455</b>	<b>30 133 212</b>	<b>(17 467 453)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 514 214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50 514 214</b>
<b>Other assets</b>														
General vehicles	1 753 754	1 016 656	-	-	-	-	2 770 410	(1 132 968)	-	-	(273 912)	-	(1 406 880)	1 363 530
Plant & equipment	288 402	535 200	(23 601)	-	-	-	800 001	(58 536)	7 622	-	(92 701)	-	(143 615)	656 386
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 985 914	5 839	(79 470)	-	-	-	1 912 283	(1 068 848)	66 832	-	(282 759)	-	(1 284 775)	627 508
Office Equipment	1 234 963	654 549	(85 085)	-	-	-	1 804 427	(543 640)	76 716	-	(241 794)	-	(708 718)	1 095 709
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	3 392 281	-	-	-	-	-	3 392 281	(1 137 798)	-	-	(335 423)	-	(1 473 221)	1 919 060
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised	-	1 150 000	-	-	-	-	1 150 000	-	-	-	(19 167)	-	(19 167)	1 130 833
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	2 798	139 221	-	-	-	-	142 019	(433)	-	-	(12 424)	-	(12 857)	129 162
Other security measures	131 010	-	(10 236)	-	-	-	120 774	(129 870)	10 236	-	(240)	-	(119 874)	900
Bins and Containers	351 154	149 500	(751)	-	-	-	499 903	(116 278)	754	-	(47 394)	-	(162 918)	336 985
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>9 140 276</b>	<b>3 650 965</b>	<b>(199 143)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 592 098</b>	<b>(4 188 371)</b>	<b>162 160</b>	<b>-</b>	<b>(1 305 814)</b>	<b>-</b>	<b>(5 332 025)</b>	<b>7 260 073</b>

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2015

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	71 046 888	220 000	-	-	-	-	71 266 888	(3 994 241)	-	-	(1 337 634)	-	(5 331 875)	65 935 013
Infrastructure	165 753 194	6 443 209	-	-	-	-	172 196 403	(31 292 964)	-	-	(10 175 386)	-	(41 468 350)	130 728 053
Community Assets	47 433 826	11 024 245	-	-	-	-	58 458 071	(3 459 144)	-	-	(3 327 559)	-	(6 786 703)	51 671 368
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Other assets	9 140 276	3 650 965	(199 143)	-	-	-	12 592 098	(4 188 371)	162 160	-	(1 305 814)	-	(5 332 025)	7 260 073
	<b>332 243 474</b>	<b>51 471 631</b>	<b>(17 666 596)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366 048 509</b>	<b>(42 934 720)</b>	<b>162 160</b>	<b>-</b>	<b>(16 146 393)</b>	<b>-</b>	<b>(58 918 953)</b>	<b>307 129 556</b>
<b>Non-current assets held for sale</b>														
Non-current assets held for sale	15 687 684	-	-	-	-	-	15 687 684	-	-	-	-	-	-	15 687 684
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>15 687 684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 687 684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 687 684</b>
<b>Intangible assets</b>														
Computers - software & programming	412 193	556 775	-	-	-	-	968 968	(271 635)	-	-	(273 031)	-	(544 666)	424 302
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>412 193</b>	<b>556 775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>968 968</b>	<b>(271 635)</b>	<b>-</b>	<b>-</b>	<b>(273 031)</b>	<b>-</b>	<b>(544 666)</b>	<b>424 302</b>
<b>Investment properties</b>														
Investment property	25 684 000	558 300	-	-	-	-	26 242 300	-	-	-	-	-	-	26 242 300
	<b>25 684 000</b>	<b>558 300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 242 300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 242 300</b>
<b>Total</b>														
Land and buildings	71 046 888	220 000	-	-	-	-	71 266 888	(3 994 241)	-	-	(1 337 634)	-	(5 331 875)	65 935 013
Infrastructure	165 753 194	6 443 209	-	-	-	-	172 196 403	(31 292 964)	-	-	(10 175 386)	-	(41 468 350)	130 728 053
Community Assets	47 433 826	11 024 245	-	-	-	-	58 458 071	(3 459 144)	-	-	(3 327 559)	-	(6 786 703)	51 671 368
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Work in progress	37 848 455	30 133 212	(17 467 453)	-	-	-	50 514 214	-	-	-	-	-	-	50 514 214
Other assets	9 140 276	3 650 965	(199 143)	-	-	-	12 592 098	(4 188 371)	162 160	-	(1 305 814)	-	(5 332 025)	7 260 073
Non-current assets held for sale	15 687 684	-	-	-	-	-	15 687 684	-	-	-	-	-	-	15 687 684
Intangible assets	412 193	556 775	-	-	-	-	968 968	(271 635)	-	-	(273 031)	-	(544 666)	424 302
Investment properties	25 684 000	558 300	-	-	-	-	26 242 300	-	-	-	-	-	-	26 242 300
	<b>374 027 351</b>	<b>52 586 706</b>	<b>(17 666 596)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408 947 461</b>	<b>(43 206 355)</b>	<b>162 160</b>	<b>-</b>	<b>(16 419 424)</b>	<b>-</b>	<b>(59 463 619)</b>	<b>349 483 842</b>

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016**

	<b>Current year 2016 Act. Bal.</b>	<b>Current year 2016 Adjusted budget Rand</b>	<b>Variance Rand</b>	<b>Var</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
<b>Revenue</b>					
Rendering of services	1 650 474	2 282 000	(631 526)	(27.7)	The municipality has overbudgeted in this line item.
Property rates	28 739 395	26 100 000	2 639 395	10.1	This is due to the implementation of a new valuation roll for the year 2015/2016.
Refuse charges	3 436 043	3 478 000	(41 957)	(1.2)	
Rental of facilities and equipment	214 128	186 000	28 128	15.1	The Municipality has generated more income than budgeted, which means there was an increase in the hiring of municipal facilities of R28 128. Which is 15.1%. The municipality has repaired and upgraded it facilities to an extent that they are attractive to customers thus increase in revenue.
Interest received (trading)	6 152 530	6 955 000	(802 470)	(11.5)	This is because of long outstanding debtors arising from past financial years, no updated indigent register, no revenue manager in past four years and no write-off of long outstanding debtors being approved by the council.
Licences and permits	2 347 949	3 208 000	(860 051)	(26.8)	The municipality has made less income than budgeted. The variance to date is R860 051 in value and 26.8%.
Fines	1 644 835	1 304 000	340 835	26.1	The Municipality has charged more fines when compared to budget. Fines is a combination of traffic fines and library fines. Traffic fines is the one which generated more revenue.
Administration and management fees received	18 340	-	18 340	-	
Fees earned	289 834	461 000	(171 166)	(37.1)	The Municipality has generated less income from fees earned. The variance is R171 166 and 37.1% when compared with the budgeted earnings. This is because of non recurring transaction, like sale of document, building plan fees, search fees, burial fees and rate clearance certificates.
Government grants received	157 172 219	156 711 000	461 219	0.3	This is because of ungazetted grant receipt of skills development grant with a total sum of R352 289.
Interest received - investment	1 677 647	3 324 000	(1 646 353)	(49.5)	The Municipality has generated less income from External Investments. The variance is R1 646 353 and 49.5% when compared with the budgeted interest received. This is because the municipality has invested less funds when compared to the adjustment budget.
	<b>203 343 394</b>	<b>204 009 000</b>	<b>(665 606)</b>	<b>(0.3)</b>	
<b>Expenses</b>					
Employee related costs	(40 492 229)	(45 754 000)	5 261 771	(11.5)	Employee related costs has a favourable variance of 11.9% and a rand value of R5 534 000. This is due to cost saving measures that have been applied in housing, salaries, telephone allowance, bargaining council levies, group scheme, medical aid, pension fund and UIF because of high vacancy rate.
Remuneration of councillors	(11 801 471)	(11 219 000)	(582 471)	5.2	
Depreciation	(17 553 441)	(16 520 000)	(1 033 441)	6.3	
Transfers and grants	-	(147 000)	147 000	(100.0)	
Finance costs	(1 147 133)	(442 000)	(705 133)	159.5	Finance charges reflect a variance of 56.2% and a rand value R248 229. The most contributing factors on this item is finance leases, operating leases. The interest on the above is accounted for at year-end. The Municipality has settled the the DBSA loan in this month and interest portion.
Debt impairment	(17 533 889)	(8 517 000)	(9 016 889)	105.9	The Municipality has not updated the indigent register and no council resolution approving the write-off.
Repairs and maintenance - General	(14 382 226)	(20 383 000)	6 000 774	(29.4)	This is because of late appointments of manager operations that was going to ensure that facilities were repaired as budgeted.
Contracted Services	(15 969 567)	(16 613 000)	643 433	(3.9)	This is because of late appointment of Nordale dumpsite service provider last year which resulted in cost savings.

# Mtubatuba Municipality

## Appendix E(1)

June 2016

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
General Expenses	(32 892 865)	(28 591 000)	(4 301 865)	15.0	This is as a result of high expenditure on operational grants of EPWP, FMG, MSIG, and Cyber Cadet. This is also caused by excess expenditure on audit fees, consultancy fees, disaster management and subsistence travelling.
Other revenue and costs	(151 772 821)	(148 186 000)	(3 586 821)	2.4	
Fair value adjustments	(1 384 130)	-	(1 384 130)	-	
Loss on disposal of assets	(5 475 009)	-	(5 475 009)	-	
	(6 859 139)	-	(6 859 139)	-	
Net surplus/ (deficit) for the year					
	44 711 434	55 823 000	(11 111 566)	(19.9)	